

MASSACHUSETTS
Workforce Investment Act
STEERING COMMITTEE

WIA Communication No. 00-13 Revised ☒ **Policy** ☐ **Information**

To: Chief Elected Officials
Regional Employment Board Chairs
Regional Employment Board Directors
Service Delivery Area Directors or Designee
Career Center Directors
DET Regional Directors
DET Area Directors
(Distributions attached)

cc: WIA State Partners (Distributions attached)

From: Department of Labor and Workforce Development

Date: June 7, 2000

Subject: Cost Allocation Plan/Resource Sharing Agreement

Purpose: Make corrections to the examples of cost sharing (see Appendix, pages 14 through 17) and establish a revised due date of June 16, 2000 for submission of Cost Allocation Plans/Resource Sharing Agreements (See “Action Required”, page 13).

Background:

The Local Workforce Investment Board is responsible for setting policy for the portion of the Statewide workforce investment system within the local area, in partnership with the chief elected official(s). The Local Board is responsible for developing the five-year local workforce investment plan (Local Plan), and conducting oversight of the One-Stop system, youth activities and employment and training activities under WIA, in partnership with the chief elected official, as well as selecting One-Stop operators with the agreement of the chief elected official. In addition, the Local WIB is responsible for developing a budget for the purpose of carrying out the duties of the Local Board, subject to the approval of the chief elected official.

The Workforce Investment Act requires that a local MOU be executed between the Workforce Investment Board and each of the WIA Partners with the agreement of the Chief Elected official. The Memorandum of Understanding (MOU) is an agreement developed and executed between the Local Workforce Investment Board, with the agreement of the Chief Elected Official, and the One-Stop Career Center (OSCC) partners relating to the operation of the One-Stop Career Center delivery system in the local area. (See 20 CFR 662.300). The MOU must contain information

related to the contribution of each partner to the operations of the One-Stop Career Center. All costs incurred in operating a One-Stop Career Center must be allocated according to federal cost principles and utilizing acceptable cost allocation methodologies. These methodologies must be outlined in a Cost Allocation Plan/Resource Sharing Agreement which must be submitted to the State along with the MOU and the Local Plan.

The purpose of this policy is to establish policy guidelines on:

- (1) The development of written cost allocation plans and cost allocation methods;
- (2) the use of cost pools in the operation of WIA Title I.

Certain costs are joint and are not easily chargeable to specific cost objectives. In order to assure that such costs are properly classified, it is necessary to develop a written plan of allocation and to develop a proper basis for the distribution of such costs. This policy sets forth the procedures to be used in the development of allocation plans and procedures.

The Cost Allocation Plan is the document which outlines the methodologies to be used to distribute costs among the various partners and funding sources. This CAP must coincide with the information contained in the MOU which describes the services to be provided by each partner, the resources that each partner is contributing to the operation of the center, and the costs for which each partner will be responsible, both direct and indirect, and must be submitted to the State along with the MOU and the Local Plan.

Policy:

A written Cost Allocation Plan must be developed and submitted to CBWL for review utilizing the attached policy.

Duration

A Cost Allocation Plan/Resource Sharing Agreement (CAP) must be developed in conjunction with the development of the Memoranda of Understanding. The CAP must be reviewed at least once each year to ensure that the methodologies outlined are still valid for the operation of the One-Stop Career Center. It may be amended during the year only in specific circumstances as outlined in the policy.

Financial Agreements

Since funds are generally appropriated annually, financial agreements may be negotiated with each OSCC partner annually to clarify funding of services and operating costs of the system under the MOU. Changes to the financial agreements or the MOU may require amendment of the CAP.

Action Required:

All subrecipients must incorporate this policy into their accounting policies and procedures.

The Local Workforce Investment Board (LWIB) is responsible for setting policy for the portion of the Statewide workforce investment system within the local area, in partnership with the chief elected official(s). The LWIB is responsible for developing the five-year local workforce investment plan (Local Plan), and conducting oversight of the One-Stop system, youth activities and employment and training activities under Title I of WIA, in partnership with the chief elected official, as well as selecting One-Stop Career Center operators with the agreement of the chief elected official.

The Workforce Investment Act requires that a local MOU be executed between the Local Workforce Investment Board and the One-Stop Career Center with the agreement of the Chief Elected official. The Memorandum of Understanding (MOU) is an agreement developed and executed between the LWIB, with the agreement of the Chief Elected Official, and the One-Stop Career Center (OSCC) partners relating to the operation of the One-Stop Career Center delivery system in the local area. (See 20 CFR 662.300). The MOU clearly defines the One-Stop Career Center partners' respective roles and responsibilities for implementation of the provisions of Section 121(c)(2) of Title I of the Workforce Investment Act of 1998.

Applicable Terms In order to facilitate an understanding of this policy the following applicable terms/clarifications are provided.

Cost An accrued expenditure.

Cost Allocation The process involved with the distribution of allowable federal grant costs to the benefiting cost objectives using rational and equitable distribution methods.

Cost Allocation Plan The documentation which describes how allowable costs of the recipient/subrecipient are identified, accumulated and assigned/allocated to the appropriate cost objectives; in the case of WIA, the grant, titles and cost categories.

Cost Categories The ultimate cost objectives against which all expenditures under WIA must be charged. The cost categories for Title I are: Administration, Program, Rapid Response. For additional guidance, please refer to CBWL's Policy on Cost Classification.

Cost Composition The total cost of a federally-supported program including direct and indirect costs. Since direct and indirect costs may be defined differently according to an organization's circumstances and types of costs being assigned, it is essential that each item be treated consistently either as a direct or indirect cost. Direct and indirect costs are defined as follows:

Assignable Direct Costs. Those costs that can be identified and assigned to a specific grant, title, and cost category.

Shared Direct Costs. Those costs that can be specifically identified by cost category, usually other than Administration, but not by title. These costs have similarities to Indirect Cost, in that it is easier to assign or allocate them based on some measure of benefit received than to identify them directly. These costs must be assigned/allocated to titles based on a written cost allocation plan using a reasonable and equitable distribution base.

Indirect Costs. Those costs incurred for a common or joint purpose benefiting more than one cost objective and not readily assignable to the cost objective benefited, without efforts disproportionate to the results achieved. These costs may be classified as Administration costs and may originate within the recipient's or subrecipient's organization or in the central services organizations of the state or local government that supply goods, services, and facilities to the program.

Cost Objective A pool, center, or area established for the accumulation of costs, such as organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific titles, cost categories, grants, program activities, projects, contracts, and/or other activities.

COST ALLOCATION PLAN

Each operating entity must develop a Cost Allocation Plan. The Plan identifies the pooled costs to be shared among partners and defines a basis of allocation that must be agreed upon that is fair to benefiting programs, measurable, consistent, and supported by ongoing data collection. Different bases may be used to allocate costs from various pools. A cost allocation plan is required to document the allocation process and must include, at a minimum, the following elements:

- Organizational chart that identifies all partners, types of services provided, and staff functions.
- A description of the types of services and programs provided at the center.

- A copy of the official center-wide budget that includes all costs to operate the center.
- The costs to be shared and allocated.
- The methods to be used in allocating the expenses to the benefiting cost objectives. This requires identifying the costs to be pooled, the basis for allocating each type of pooled cost, and the documentation for supporting each basis for allocation.

Each partner must pay or offset its fair share of pooled costs in addition to paying its own direct costs. There cannot be deviation from existing federal, state and local regulations. Costs that are prohibited by a funding source (federal, state, or local) may not be paid or used as offsets under a pooled cost agreement. For example, if a partner's funding source prohibits entertainment costs, the partner may not pay entertainment costs or use them as an offset under a pooled cost agreement.

Whenever possible, costs should be directly charged to the benefiting grant and/or cost objective. Contributions to pooled costs are limited to costs incurred during the period of the agreement.

Offsets are based on cost. Where staff costs are used as offsets, actual salary and benefit costs should be used in calculations, **not** number of staff and function performed. If different individuals will perform the function, then an average of the actual salaries and benefits may be used. Square footage is generally the allocation basis for space. The cost per square foot becomes a pooled cost that is a direct charge to the partners.

1. Cost Pools

Examples of types of cost pools are:

Broad, Integrated Cost Pool

A cost pool may be broad enough to benefit all programs and integrated service cost centers. An example would be a Facility Cost Pool, where rent, utilities, janitorial, receptionist costs, phone and other facility overhead costs would be recorded. Some costs, such as supplies, may be partly a direct charge and partly a shared cost. Supplies purchased exclusively for one program should be direct charged; supplies purchased for a general supply room may be pooled.

Categorical Cost Pool

Some cost pools may contain only specific costs (telephone line charges) or type of costs (copier maintenance agreements, copy paper, toner, copier repair) because the benefits from the cost require a special allocation method due to unequal use or benefits across programs or cost centers. Examples may be computer information sharing, copier costs or telephone costs.

Organization Cost Pool

Some expenditures may benefit only parts of a partnership. Examples are one integrated service area cost center as a pool for all the programs in that cost center or a pool for a sub-set of the programs within an integrated service area center.

2. Allocation Bases

When costs are pooled instead of directly assigned to a final cost objective, the ability to directly assign benefit for each item of cost is lost. Instead, the pool contains a group of common costs to be allocated by using an indirect or approximate measure of benefit, or the allocation base. An allocation base is the documented method used to measure the extent of benefits received when allocating joint costs among multiple partners and/or funding sources.

Minimal Distortion

The base chosen should distribute costs in a fair and equitable manner without distorting the results. This requires that the base be closely related to the type of cost being allocated so that benefit can be measured as accurately as possible.

General Acceptability

The base should be generally accepted and in conformance with Generally Accepted Accounting Principles (GAAP). It must be consistently applied over time, and should be drawn from the same period in which the costs to be allocated have been incurred.

Representative of Actual Costs or Effort Expended

The base should be a measure of actual cost or actual effort expended. It should not be based solely on a plan, budget, job description, or other estimate of planned activity.

Timely Management Control

The base should be within management's ability to control on a timely basis. The base should produce reliable and fairly predictable results.

Consistent with Variations in Funding

The base must be able to accommodate and withstand changes in funding during the year and from year to year.

Materiality of Costs Involved

The complexity of the base should be commensurate with the materiality of the costs to be allocated. The base should be sufficiently detailed as to provide the most equitable and accurate allocation possible. At the same time, the base should be simple enough to be efficient while still attaining a fair distribution of costs.

Practicality and Cost of Using the Base

The base should be as efficient as possible in terms of the cost or effort in developing and using it. Thus, wherever possible, use a database that already exists in the financial or participant record keeping and reporting systems rather than create a separate database to be used only for allocating costs.

Cost allocation methods vary, just as cost types do. The objective of the method used is to ensure reasonableness and equity. Each organization is likely to use several different bases for allocating different types of costs. Once the organization established the methods of allocation, that method should be used consistently over time and be described in the cost allocation plan.

3. Benefiting Cost Objective

For purposes of this policy, cost objectives will be limited to Federal WIA grants and the cost classification/limitation requirements associated with each. Coverage is limited to those costs: (a) incurred for a common or joint purpose benefiting more than one cost objective, i.e. various

programs operated by the Subrecipient; and, (b) not readily assignable to the cost objective specifically benefited.

Costs are normally classified as direct and indirect in relation to some cost objective which is defined as any activity for which separate cost measurement is performed. Generally, a direct cost can be traced to a specific cost objective. An indirect cost is incurred for multiple cost objectives and is charged to an interim cost objective for allocation, such as a cost pool. A direct cost can be traced to a particular cost category and grant since it was incurred solely for the benefit of a particular grant.

4. Allocable Costs

Costs are allocable to federal grants according to the following provisions:

A. Relative Benefits and Consistent Treatment. A cost is allocable to a particular cost objective, such as a title, program activity, grant project or cost category, in accordance with the relative benefits received. A cost is allocable to a given grant if it is treated consistent with other costs incurred for the same purpose, in like circumstances, and if the following applies:

- (1) The cost must be an allowable cost under the grant.
- (2) The cost is incurred specifically for the cost objective.
- (3) The cost benefits both the grant and the cost objective, and can be distributed in reasonable proportion to the benefits received.
- (4) The cost is necessary to the overall operation of the organization although a direct relationship to any particular cost objective cannot be shown.

B. Avoiding Deficiencies or Restrictions. Any cost allocable to a particular grant or other cost objective under these principles may not be shifted to other federal grants to overcome funding deficiencies, avoid restrictions imposed by law or grant agreement, or for other reasons.

5. Direct Costs

This discussion focuses on two types of direct costs, assignable direct and shared direct. It is generally advantageous to the administrative entity to direct charge costs to the extent possible, as direct charging reduces cost limitation compliance vulnerability. This is discussed further in Section G, Cost Pools.

A. Assignable Direct Costs

Assignable direct costs represent direct costs which can be specifically identified with a particular final cost objective, i.e., a WIA title, program activity, and cost category. These costs may be charged directly to grants, contracts, or other programs against which costs are finally lodged.

Application. Typical direct costs chargeable to grant programs are:

- (1) Compensation of employees for the time and effort devoted specifically to the execution of grant programs.
- (2) Cost of materials acquired, consumed, or expended specifically for the purpose of the grant.
- (3) Equipment and other approved capital expenditures.

- (4) Other items of expense incurred specifically to carry out the grant agreement.

The following rule applies:

A cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost. Some costs, such as supplies, may be a direct charge and a shared cost, depending on the circumstances. Supplies purchased exclusively for one program should be direct charged; supplies purchased for a general supply room may be pooled. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

B. Shared Direct Costs

The allocation method used in distributing unassignable direct costs shall be based on a reasonable measurement of benefits received by each cost objective and shall be supported by a written cost allocation plan which includes all grantee funding, whether or not it originates as a WIA grant. A key factor in cost allocation plans is that the method used must be a determination of actual activities. **Budget estimates do not qualify as support for final charges.** However, the effort required to distribute the cost should not be disproportionate to the dollar amount of costs charged. Specific requirements are as follows:

- (1) Written cost allocation plans are required and shall be used in allocating all allocable direct costs within the WIA program to the appropriate title, program activity, and cost category.
- (2) Shared administrative costs can be combined with any indirect administrative costs and allocated to the various funding titles utilizing a defined and appropriate allocation methodology/base.
- (3) Shared training costs can be pooled and distributed to the various funding titles using an appropriate allocation base.
- (4) Shared training related costs can be pooled and distributed to the various funding titles using an appropriate allocation base.
- (5) Personnel services costs (salary and fringe benefits) of internal staff who spend a portion of their time in administrative and a portion of their time in allowable direct program related functions can be individually distributed among the respective cost categories using staff time records or other verifiable means. These charges must be substantiated by staff distributions, job descriptions, and time records. A position description alone is insufficient documentation. A supporting time record which prorates the time between two or more functions is recommended. Time records should include hours spent on each cost objective, and signatures of both the employee and the manager, as well as the date of the signatures.
- (6) Non personnel service costs that benefit more than one cost objective can be allocated to more than one cost objective. Such allocations must be based on an appropriate allocation methodology.

6. Cost Allocation Plan

There are two types of cost allocation plans. The first plan identifies and distributes the costs of services provided by support organizations (personnel, treasury, security, legal, etc.) to those departments or units performing Federal grants or contracts. At the State level it is referred to as

the State Wide Cost Allocation Plan (SWCAP). Central service cost allocation plans are usually approved by a cognizant Federal agency. Similar indirect cost allocation plans for central services can be applicable to units of government other than states.

The second plan, which we will be more concerned with in this policy distributes shared costs (direct and indirect) within a performing entity (State Department, WIA operator/administrative entity) to all work performed by that entity. This type of cost allocation plan is commonly referred to as an indirect cost proposal.

In order to assure the allocation of costs to the benefiting cost objectives/categories, a plan for the allocation of costs is required to support the distribution of any joint costs related to the grant program. This allocation plan must be documented in the agency's administrative procedures manual. There are five basic steps to properly allocate costs based on some measure of the benefits they provide.

- a. Identify each of the shared goods and services that should be allocated.
- b. Determine some method of allocation that will result in a cost approximately equal to the benefit to each program of the goods and services. Part of the decision on the allocation method will depend upon what practical documentation of the cost/benefit ratio can be developed.
- c. If part of the shared costs are to be allocated by an indirect cost rate, go through the necessary steps to get an approved rate and have it reviewed and approved by your auditor.
- d. Document these steps into a formal cost allocation plan detailing both direct and indirect costing methods.
- e. Implement the plan and periodically recap the necessary allocation calculations and charge them to the applicable programs.

7. Considerations for Developing Cost Allocation Plans

Use the simplest and least costly method possible that will produce an equitable allocation of cost to cost categories and programs based on a measure of relative benefit received.

Make the organizational structure no more complicated than necessary to allocate costs.

Make sure the process that is developed is replicable at any time.

Consider the required structure and capabilities of the entity's accounting system in designing an operable cost allocation process.

A. Cost Allocation Base

Many allocation bases exist. The only criterion which must be satisfied when selecting an allocation base is that a reasonable relationship exist between the expense and the selected base.

B. Financial Base

To the extent possible, subrecipients are encouraged to develop and use appropriate financial bases, e.g., salaries and fringe or total direct, to allocate joint and common subrecipient costs. Financial allocation bases are usually more efficient and easier to manage especially in instances where subrecipients use automated accounting systems and offer human service programs supported by multiple funding sources. The use of financial allocation bases may also provide a subrecipient a financial management advantage (less complexity) when participating in a one stop shopping environment.

Cost Allocation Base Cautions

Allocating costs based on how many grants and contracts are sharing the costs and the allocation of costs based on the amounts budgeted (percent ratio of funding) for each program is nearly always unallowable because of the difficulty involved in identifying the relative benefits the program is receiving to the costs being shared.

Personal Services cost allocations based on hours worked by staff members substantiated by staff timesheets with limitations set by an authority is not an allowable methodology because limitations create ceilings that preclude benefiting cost objective consideration above the ceiling.

In some instances, the use of an allocation base established using data from a time period that differs from the grant period the costs were incurred in is not allowable, i.e., the allocation of unassignable direct intake costs based on previous year intake data. This does not preclude using historical data, i.e., experience rates, as a basis for allocation when appropriate.

Allocating costs based on the total expenditures of each program involved in shared benefits is a method that may or may not be allowable. Its allowability depends on whether the benefits received have a direct relationship to total expenditures and if the relationship can be documented objectively.

Self Test Allocation Plan

Be prepared for an audit. Auditors are instructed to (and subrecipients should also):

Read the Cost Allocation Plan;

Verify that the plan contains the list of costs to be allocated and methods used for allocation;

Determine if the methods of allocating costs are in accordance with applicable regulations;

Determine if the statistical data is reasonable and updated as necessary;

Test costs to determine if they were allocated in accordance with the documented cost allocation plan.

In addition, CBWL requires that the cost allocation be reviewed and approved by your auditor.

Cost Allocation Plan Adjustments

Changes in an organization's cost allocation plan that affect the retroactive distribution of costs to the benefiting cost objective are allowable only in instances where the change results in a more equitable distribution of costs.

C. Indirect Costs

Indirect costs are those:

(1) incurred for a common or joint purpose benefiting more than one cost objective, including those costs that may be charged to cost objectives or expense pools for later distribution to grants, contracts, projects or activities on a basis that is reasonable and equitable, and

(2) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. The term "indirect costs", as used herein, applies to

costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities to the grantee department. To facilitate equitable distribution of indirect expenses to the cost objective served, it may be necessary to establish a number of pools of indirect costs within a grantee department or in other agencies providing services to a grantee department. Indirect cost pools should be distributed to benefiting cost objectives on a basis which will produce an equitable result in consideration of relative benefits derived. Indirect or overhead costs normally shall be charged to administration, except that specific costs charged to an overhead or indirect cost pool that can be identified directly with a cost objective/category other than administration may be charged to the cost objective/category directly benefited as described and justified in the cost allocation plan.

Indirect classifications should be used only in instances where costs properly meet the definition of indirect.

Indirect cost rates

The application of indirect cost rates must be supported by formal accounting records available for auditing. Generally subrecipients should comply with State policies on indirect cost rates described as follows:

Governmental entities The Federal regulation applicable to indirect cost rate determination for governmental entities is OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Responsibility for approving cost allocation plans of local units of government has been assigned by the Office of Management and Budget to cognizant Federal agencies. Some agencies have indirect cost rates, particularly governmental agencies, already approved by a cognizant federal agency. In those cases, the State should review the cognizant federal agency's rate for WIA relevancy. The State or the unit of local government should request a cognizant agency review of the indirect rate if questions arise with regard to the application of the indirect rate to WIA. The State retains approval of governmental unit agency's indirect rates, and the approved rate for indirect costs for WIA should not exceed the federally approved rate. Some entities may have approved indirect cost rates which, if used, would result in cost limitation violations. In these cases, such rates may not be applied to the WIA grants.

Non Profit Agencies In some cases, agencies may be selected which do not have indirect cost rates but wish to establish a rate to facilitate charging general overhead costs to WIA. The Federal regulation applicable to indirect cost rate determination for nonprofit organizations is OMB Circular A-122, "Cost Principles for Nonprofit Organizations" For assistance in preparing indirect cost rate proposals, non profit organizations should use "A Guide for Establishing Indirect Cost Rates Required by OMB Circular A-122", published by the U.S. Department of Labor. Indirect cost rate proposals are required when a nonprofit organization has more than one source of funding and elects to recover indirect costs as well as the direct costs it incurs to fulfill grant or contract purposes. In cases where a non profit subrecipient is required to obtain an indirect cost rate, the State may provide technical assistance and may wish to review and approve the indirect cost rates.

As a caution, WIA recipients, subrecipients and operators may wish to retain authority for approving any indirect cost rates or methods they wish to accept for their subrecipients.

Indirect Cost Plans

Indirect cost plans should conform to the following general provisions:

- a. **Written and Supported by Records.** For audit purposes, a written plan for allocation of costs related to all funding sources shall be necessary to support the distribution of any indirect costs related to the grant. All costs included in the plan shall be supported by formal accounting records which will substantiate the propriety of eventual charges.

b. Content. The allocation plan of the grantee shall cover all indirect costs, including costs to be allocated and the plans of other organizational units which are to be included in the costs of WIA programs. The cost allocation plans shall contain, but not necessarily be limited to, the following:

The nature and extent of services provided and their relevance to the WIA programs;

The items of expense to be included;

The methods to be used in distributing cost; and

A justification for the methods to be used.

Indirect cost proposals that must be prepared should be retained by the entity to determine that:

- a. the distribution of indirect/unassignable costs is based on a method(s) which is reasonably indicative of the amount of services provided to Federally supported activities and all other activities of the department.
- b. the services provided are necessary to the successful conduct of grant programs;
- c. the level of costs incurred is reasonable;
- d. costs for central government services are charged in conformance with the central service cost allocation plan;
- e. the costs claimed are otherwise allowable in accordance with WIA and relevant State requirements;
- f. sufficient funds exist and cost limitation requirements are complied with.

8. Relationship to Memoranda of Understanding (MOU)

Each Local Workforce Investment Board must develop a Memorandum of Understanding with the One-Stop Career Center partners relating to the operation of the One-Stop Career Center delivery system in the local area. This agreement must be developed and executed with the agreement of the Chief Elected Official. The MOU must contain the following required provisions:

- The services to be provided through the One-Stop Career Center delivery system;
- The funding of the services and operating costs of the system (additional guidance related to cost allocation and resource sharing will be provided in a separate document);
- The methods for referring individuals between the One-Stop Career Center operators and partners;
- The duration and procedures for amending the MOU;
- And any other provisions that are consistent with WIA title I and the WIA regulations agreed to by the parties.

The Cost Allocation Plan must outline the methodologies used to allocate costs to each grant and funding source. The methodologies will vary somewhat based on the structure of the individual career center and the details of the contributions to the operations from each partner which are delineated in the MOU. As funding may vary from year to year, and possibly even within a year,

the Cost Allocation Plan must be reviewed when changes occur to ensure that the methodologies currently in use are appropriate based on the funding changes.

References:

Workforce Investment Act of 1998, Public Law 105-220

Workforce Investment Act Interim Regulations (20 CFR 652 et al)

The general fiscal and administrative requirements which apply are those delineated in OMB Circular A-102, "Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments" and OMB Circular A-110, "Uniform Administrative Requirements for Grants and Cooperative Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations", as applicable.

General administrative requirements for allowable costs are delineated in three separate OMB Circulars, as amended, depending on the type of organization administering the funds. These are:

A-21	Cost Principles for Educational Institutions
A-87	Cost Principles for State, Local and Indian Tribal Governments
A-122	Cost Principles for Non-Profits

The above Circulars define the factors which affect the allowability of costs for each agency type.

Action Required:

Each One Stop Career Center Operator must develop a Cost Allocation Plan as described above which correlates with its Memoranda of Understanding with the local One-Stop Career Center partners relating to the operation of the One-Stop Career Center delivery system in the local area. The Cost Allocation Plan must be developed and in place no later than June 16, 2000. A copy of the Cost Allocation Plan must be forwarded to the Corporation for Business, Work, & Learning.

Questions and Comments:

Any questions related to this correspondence should be directed to Elizabeth Durkin at CBWL, 617 727-8158 X1304.

Filing: Please file this in your notebook of previously issued WIA Communication Series Issuances as 00-13 Revised.

COST ALLOCATION PLAN/RESOURCE SHARING AGREEMENT APPENDIX RESOURCE SHARING EXAMPLES

Calculating Each Partner's Estimated Share of Pooled Costs

It is critical that each partner's estimated and actual shares of pooled costs, contributions and related calculations be documented and attached to the written agreement. This data will form the audit trail. Actual cost and numbers of participants served must be reviewed at least quarterly. Changes to reimbursement arrangements may be needed due to unexpected variations in cost or in the percentage of participants served.

The following provides examples of calculating partners' shares.

Once you have selected one or more allocation bases, you are ready to estimate each partner's share of pooled costs. The following example illustrates cost estimates based on square footage for pooled facility costs and number of projected estimates based on square footage for pooled facility costs and number of projected participants for pooled equipment and salary costs.

Assumptions:

- ◆ The partnership will not be a separate employer, and will have no funds of its own. All staff, including the office manager, intake workers, and receptionist, will be employees of one or another of the partners. Also, all purchases made or services ordered for individual partners will pay for this site.
- ◆ One partner compiles all the fiscal records, and each partner pays their own bills.
- ◆ One of the partners already leases a suitable building. Utilities are included in the lease. The other two partners will move staff and some furniture and equipment to this site.
- ◆ The partners have pooled costs for the lease and janitorial services. They have allocated these costs among themselves based on square footage occupied.

EXAMPLE Facility Pool	
Janitorial Service	\$21,600
Rent (incl. Utilities)	20,000
Total	\$41,600

EXAMPLE Allocation Basis - Facility Pool				
	Square Feet		Percent	Planned Share of Annual Cost
Partner 1	625	625/2500	25%	\$10,400
Partner 2	875	875/2500	35%	14,560
Partner 3	1000	1000/2500	40%	16,640
Total	2500			\$41,600

Assumptions:

- ◆ The partner who leases the building has a telephone system in place.
- ◆ In addition to equipment brought by the partners, the partnership will need a high volume copier (and supplies and maintenance contract), a fax machine (and supplies), four desks, four chairs, four new computer terminals, and connections to the Health and Welfare Data Center.
- ◆ The phone system and all the new equipment and furniture will benefit all partners and will be part of a cost pool.
- ◆ Issues such as copier replacement and marginal costs for compatibility in phone systems are not addressed.

EXAMPLE Equipment	
Copier (incl. Maintenance)	\$25,000
Fax	1,400
Furniture	2,400
Terminals	14,000
HVAC Charges	10,000
Telephones	1,000
Total	\$53,800

- ◆ One partner provides for an office manager on-site who oversees day-to-day operations and also a receptionist and two intake workers, which benefit all three partners. These salaries are also part of the cost pool.

EXAMPLE Salary and Benefits	
Office Manager	\$70,000
Intake Staff (2)	60,000
Receptionist	22,600
Total Salary and Benefits	152,600
Total Equipment	53,800
Grand Total (equipment, Salary and Benefits)	\$206,400

Projected Participants:

- ◆ Project the number of participants for each program.
- ◆ Calculate each partners percentage of total projected participants.
- ◆ Calculate each partner's share of cost based on percentage.

For planning purposes, the partners are using historical data to estimate the number of participants who will be served.

EXAMPLE Equipment and Salary Pool				
	Expected Participants		Percent	Planned Share Of Annual Costs
Partner 1	400	400/2000	20%	\$41,280
Partner 2	600	600/2000	30%	61,920
Partner 3	1000	1000/2000	50%	103,200
	2000		100%	\$206,400

Adding the results of the two charts together gives the total each partner plans to pay or contribute as its share of pooled costs.

EXAMPLE		
Partner 1	Facility Pool	\$10,400
	Equipment and Salary Pool	41,280
	Total	51,680
Partner 2	Facility Pool	14,560
	Equipment and Salary Pool	61,920
	Total	76,480
Partner 3	Facility Pool	16,640
	Equipment and Salary Pool	103,200
	Total	\$119,840

Continuing with the example, the pooled costs for the lease and janitorial services (the facility pool") total \$41,600. The remaining pooled costs (the "equipment/salary pool") total \$206,400. This partnership hopes to minimize the payment of cash among the partners, and has worked out the following plan for offsetting costs.

EXAMPLE Off Setting Partner Contributions			
	Contribution	Cost	Total
Partner 1	Fax	\$1,400	
	Furniture	2,400	
	Terminals	14,000	
	Telephones	1,000	
	Intake Specialists	30,000	
	Reimbursable Contracts	2,880	
	Total		51,680
Partner 2	Copier	25,000	
	Intake Specialists	30,000	
	Receptionist	22,600	
	Reimbursement from Partner 1	(1,120)	
	Total		76,480
Partner 3	Janitorial Service	21,600	
	Rent (incl. Utilities)	20,000	
	HVAC	10,000	
	Office Manager	70,000	
	Reimbursement From Partner 1	(1,760)	
	Total		119,840
	Grand Total		\$248,000